



**LAWRENCE COUNTY, MISSOURI
TWO YEARS ENDED DECEMBER 31, 2002**

**From The Office Of State Auditor
Claire McCaskill**

**Report No. 2003-99
September 29, 2003
www.auditor.state.mo.us**

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

September 2003

IMPORTANT: The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Lawrence County, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also provide a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and it does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

This audit of Lawrence County included additional areas of county operations, as well as the elected county officials. The following concerns were noted as part of the audit:

- The county paid a reserve officer \$173,328 in wages and expenses to transport prisoners between January 1, 2001 and June 5, 2003 and has not performed a cost/benefit analysis of costs related to the transporting of prisoners. Additionally, documentation was not always maintained to substantiate reimbursement of some transportation expenses.
- Bids were not always solicited nor was bid documentation always retained by the county for various purchases. While the county officials provided some explanations, documentation was not always maintained.
- As similarly noted in several prior audit reports, controls are in need of improvement with the property tax system. The Assessor's office is allowed access to the assessment data during periods when changes to the data are not allowed by statutes. In addition, controls over the property tax additions and abatements are not adequate, and the County Clerk does not maintain an account book with the County Collector. Further, the county does not have an adequate password system or procedures to restrict access to the computer systems.
- Improvements are needed with the county's personnel policies and bond coverage. The county does not require the Sheriff's office to submit documentation of actual time worked to support payroll expenditures. As similarly noted in prior audit reports, records of vacation or sick leave earned, taken and accumulated are not maintained for some county employees. Also, the county does not appear to have adequate bond coverage for some elected officials.

(over)

YELLOW SHEET

- As similarly noted in prior audit reports, weaknesses were identified in the Recorder's office including inadequate reconciliation of total receipts to total fees abstracted and disbursed. Approximately \$6,900 remains unidentified in the Recorder's bank account at December 31, 2002. The Recorder also maintained custody of the Recorder User Fee Fund, which should be maintained by the County Treasurer.
- As similarly noted in prior audit reports, annual settlements filed by the Public Administrator were often one to two months late and were not always complete. The Public Administrator also held client funds in a non-interest bearing account, which did not have adequate securities pledged.

Also included in the audit are recommendations related to the county's schedule of federal awards, closed meeting minutes, and general fixed asset records. The audit also suggested improvements in the procedures of the County Collector, Sheriff, Circuit Clerk, County Treasurer, Prosecuting Attorney, Health Center, the Board of the Developmentally Disabled, and the Senior Citizens Service Board.

All reports are available on our website: www.auditor.state.mo.us

LAWRENCE COUNTY, MISSOURI

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FINANCIAL SECTION

State Auditor's Reports



CLAIRE C. McCASKILL
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL
STATEMENTS AND SUPPLEMENTARY SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS**

To the County Commission
and
Officeholders of Lawrence County, Missouri

We have audited the accompanying Statements of Receipts, Disbursements, and Changes in Cash - Various Funds and Comparative Statement of Receipts, Disbursements, and Changes in Cash - Budget and Actual - Various Funds of Lawrence County, Missouri, as of and for the years ended December 31, 2002 and 2001. These financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1 to the financial statements, these financial statements were prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Lawrence County, Missouri, and comparisons of such information with the corresponding budgeted

information for various funds of the county as of and for the years ended December 31, 2002 and 2001, on the basis of accounting discussed in Note 1.

In accordance with *Government Auditing Standards*, we also have issued our report dated August 7, 2003, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Lawrence County, Missouri, and was not subjected to the auditing procedures applied in the audit of the financial statements referred to above.



Claire McCaskill
State Auditor

August 7, 2003 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Pamela Crawford, CPA
In-Charge Auditor:	April McHaffie Lathrom, CPA
	Amy Baker
Audit Staff:	Jay Ross
	Troy Royer
	Monte Davault
	Roberta Bledsoe



CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
and
Officeholders of Lawrence County, Missouri

We have audited the financial statements of various funds of Lawrence County, Missouri, as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated August 7, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the financial statements of various funds of Lawrence County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance which are described in the accompanying Management Advisory Report.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of various funds of Lawrence County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all

matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting which are described in the accompanying Management Advisory Report.

This report is intended for the information and use of the management of Lawrence County, Missouri, federal awarding agencies and pass through entities, and other applicable government officials. However, pursuant to Section 29.270, RSMo 2000, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill
State Auditor

August 7, 2003 (fieldwork completion date)

Financial Statements

Exhibit A-1

LAWRENCE COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 2002

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 743,846	3,052,345	3,148,874	647,317
Special Road and Bridge	260,873	2,240,674	2,234,050	267,497
Assessment	317,006	250,026	215,893	351,139
Law Enforcement Training	207	6,657	5,462	1,402
Prosecuting Attorney Training	1,725	1,293	631	2,387
Common #1 Road District	42,134	371,322	352,166	61,290
Common #2 Road District	69,181	243,498	264,697	47,982
Prosecuting Attorney Bad Check	27,926	27,505	16,050	39,381
Domestic Violence	0	1,180	1,180	0
Drug and Dare	3,761	555	2,516	1,800
Emergency 911	243,735	218,509	259,557	202,687
Sheriff Special	9,154	16,094	16,841	8,407
Election Services	1,334	1,539	654	2,219
Developmentally Disabled	172,794	249,088	208,224	213,658
Senior Citizens Service	60,090	147,511	139,403	68,198
Law Library	4,772	5,148	8,724	1,196
Circuit Clerk Interest	6,157	1,553	142	7,568
Recorder User Fee	74,960	38,227	18,043	95,144
Family Access	50	0	50	0
Collector's Tax Maintenance	0	2,692	0	2,692
Associate Circuit Division Interest	8,365	1,013	0	9,378
Sheriff's Justice	1,694	15,354	1,042	16,006
Prosecuting Attorney's Forfeiture	3,712	0	0	3,712
Sheriff's Vest	0	2,956	0	2,956
Total	\$ 2,053,476	6,894,739	6,894,199	2,054,016

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

LAWRENCE COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 2001

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 638,346	2,923,573	2,818,073	743,846
Special Road and Bridge	223,338	2,563,743	2,526,208	260,873
Assessment	256,334	231,031	170,359	317,006
Law Enforcement Training	4,714	3,773	8,280	207
Prosecuting Attorney Training	2,443	1,354	2,072	1,725
Common #1 Road District	21,671	405,196	384,733	42,134
Common #2 Road District	44,615	231,502	206,936	69,181
Prosecuting Attorney Bad Check	21,863	24,947	18,884	27,926
Domestic Violence	0	1,350	1,350	0
Drug and Dare	9,951	518	6,708	3,761
Emergency 911	182,062	246,640	184,967	243,735
Sheriff Special	7,038	22,570	20,454	9,154
Election Services	32	3,825	2,523	1,334
Developmentally Disabled	140,943	249,367	217,516	172,794
Senior Citizens Service	68,926	145,804	154,640	60,090
Law Library	7,624	4,470	7,322	4,772
Circuit Clerk Interest	5,286	1,075	204	6,157
Recorder User Fee	73,597	22,441	21,078	74,960
Family Access	50	0	0	50
Associate Circuit Division Interest	7,660	782	77	8,365
Sheriff's Justice	0	1,694	0	1,694
Prosecuting Attorney's Forfeiture	2,959	753	0	3,712
Total	\$ 1,719,452	7,086,408	6,752,384	2,053,476

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

LAWRENCE COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

Year Ended December 31,						
2002			2001			
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	
TOTALS - VARIOUS FUNDS						
RECEIPTS	\$ 6,916,305	6,872,724	(43,581)	6,732,063	7,060,738	328,675
DISBURSEMENTS	7,805,743	6,893,107	912,636	7,541,673	6,731,229	810,444
RECEIPTS OVER (UNDER) DISBURSEMENTS	(889,438)	(20,383)	869,055	(809,610)	329,509	1,139,119
CASH, JANUARY 1	2,034,990	2,039,655	4,665	1,656,397	1,635,186	(21,211)
CASH, DECEMBER 31	1,145,552	2,019,272	873,720	846,787	1,964,695	1,117,908
GENERAL REVENUE FUND						
RECEIPTS						
Property taxes	281,600	279,460	(2,140)	258,000	274,298	16,298
Sales taxes	1,128,000	1,130,185	2,185	1,100,000	1,108,035	8,035
Intergovernmental	852,054	799,998	(52,056)	713,350	829,354	116,004
Charges for services	626,041	709,721	83,680	562,500	590,883	28,383
Interest	65,000	48,334	(16,666)	60,000	73,654	13,654
Other	47,079	62,162	15,083	25,105	43,511	18,406
Transfers in	43,000	22,485	(20,515)	41,500	3,838	(37,662)
Total Receipts	3,042,774	3,052,345	9,571	2,760,455	2,923,573	163,118
DISBURSEMENTS						
County Commission	188,140	158,762	29,378	185,640	168,273	17,367
County Clerk	77,477	79,775	(2,298)	79,243	76,972	2,271
Elections	91,849	86,569	5,280	52,430	41,712	10,718
Buildings and grounds	120,435	170,527	(50,092)	139,986	106,144	33,842
Employee fringe benefits	257,300	263,930	(6,630)	253,300	243,232	10,068
County Treasurer	33,770	33,842	(72)	34,220	33,697	523
County Collector	80,436	78,821	1,615	78,750	76,071	2,679
Recorder of Deeds	89,434	80,764	8,670	88,917	81,436	7,481
Circuit Clerk	13,600	16,635	(3,035)	13,600	13,137	463
Associate Circuit Court	44,179	33,341	10,838	35,372	30,127	5,245
Court administration	27,127	21,138	5,989	19,861	21,225	(1,364)
Public Administrator	59,202	58,723	479	56,436	55,373	1,063
Sheriff	759,698	803,002	(43,304)	689,257	767,661	(78,404)
Jail	276,798	321,837	(45,039)	226,264	231,756	(5,492)
Prosecuting Attorney	231,571	219,194	12,377	220,093	211,365	8,728
Juvenile Officer	59,705	58,134	1,571	61,823	60,875	948
Child support enforcement	114,577	112,415	2,162	109,830	109,014	816
County Coroner	30,500	24,966	5,534	24,694	28,185	(3,491)
Health Center	442,295	396,200	46,095	363,014	352,052	10,962
Insurance and bonds	50,000	57,229	(7,229)	50,000	49,714	286
University extension	35,000	35,000	0	34,176	34,176	0
Emergency management	13,420	11,985	1,435	11,568	8,610	2,958
TIF distribution	10,000	13,729	(3,729)	8,000	8,381	(381)
Other	11,700	6,780	4,920	11,200	7,191	4,009
Emergency Fund	91,000	5,576	85,424	83,000	1,694	81,306
Total Disbursements	3,209,213	3,148,874	60,339	2,930,674	2,818,073	112,601
RECEIPTS OVER (UNDER) DISBURSEMENTS	(166,439)	(96,529)	69,910	(170,219)	105,500	275,719
CASH, JANUARY 1	743,846	743,846	0	638,346	638,346	0
CASH, DECEMBER 31	577,407	647,317	69,910	468,127	743,846	275,719

Exhibit B

LAWRENCE COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND:

	Year Ended December 31,					
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>SPECIAL ROAD AND BRIDGE FUND</u>						
RECEIPTS						
Property taxes	47,000	45,079	(1,921)	43,000	44,166	1,166
Sales taxes	1,120,000	1,130,148	10,148	1,132,000	1,109,474	(22,526)
Intergovernmental	1,135,200	999,403	(135,797)	1,376,200	1,367,949	(8,251)
Interest	4,000	3,377	(623)	3,000	5,034	2,034
Other	0	667	667	50	120	70
Loan repayment proceeds	50,000	62,000	12,000	20,000	37,000	17,000
Total Receipts	2,356,200	2,240,674	(115,526)	2,574,250	2,563,743	(10,507)
DISBURSEMENTS						
Distributions to special road districts	1,675,828	1,612,194	63,634	1,642,600	1,589,598	53,002
Road sign project	10,000	14,227	(4,227)	10,000	8,940	1,060
Construction, repair, and maintenance	135,000	0	135,000	360,000	340,415	19,585
TIF distribution	10,000	13,729	(3,729)	10,000	8,381	1,619
Other	17,050	13,414	3,636	12,000	1,472	10,528
Loans to road districts	50,000	42,000	8,000	20,000	67,000	(47,000)
Transfers out	573,172	537,806	35,366	546,400	510,402	35,998
Emergency Fund	146,023	680	145,343	196,588	0	196,588
Total Disbursements	2,617,073	2,234,050	383,023	2,797,588	2,526,208	271,380
RECEIPTS OVER (UNDER) DISBURSEMENTS	(260,873)	6,624	267,497	(223,338)	37,535	260,873
CASH, JANUARY 1	260,873	260,873	0	223,338	223,338	0
CASH, DECEMBER 31	0	267,497	267,497	0	260,873	260,873
<u>ASSESSMENT FUND</u>						
RECEIPTS						
Intergovernmental	228,950	231,298	2,348	210,060	206,396	(3,664)
Charges for services	5,000	12,080	7,080	500	11,488	10,988
Interest	10,000	6,648	(3,352)	10,000	12,901	2,901
Other	0	0	0	0	246	246
Total Receipts	243,950	250,026	6,076	220,560	231,031	10,471
DISBURSEMENTS						
Assessor	239,950	213,408	26,542	208,060	166,521	41,539
Transfers out	4,000	2,485	1,515	2,500	3,838	(1,338)
Total Disbursements	243,950	215,893	28,057	210,560	170,359	40,201
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	34,133	34,133	10,000	60,672	50,672
CASH, JANUARY 1	317,006	317,006	0	256,334	256,334	0
CASH, DECEMBER 31	317,006	351,139	34,133	266,334	317,006	50,672
<u>LAW ENFORCEMENT TRAINING FUND</u>						
RECEIPTS						
Intergovernmental	0	2,476	2,476	0	0	0
Charges for services	4,000	4,181	181	7,000	3,678	(3,322)
Other	0	0	0	0	95	95
Total Receipts	4,000	6,657	2,657	7,000	3,773	(3,227)
DISBURSEMENTS						
Sheriff	4,207	5,462	(1,255)	11,714	8,280	3,434
Total Disbursements	4,207	5,462	(1,255)	11,714	8,280	3,434
RECEIPTS OVER (UNDER) DISBURSEMENTS	(207)	1,195	1,402	(4,714)	(4,507)	207
CASH, JANUARY 1	207	207	0	4,714	4,714	0
CASH, DECEMBER 31	0	1,402	1,402	0	207	207

Exhibit B

LAWRENCE COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND:

	Year Ended December 31,					
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>PROSECUTING ATTORNEY TRAINING FUND</u>						
RECEIPTS						
Charges for services	1,300	1,293	(7)	1,600	1,354	(246)
Total Receipts	1,300	1,293	(7)	1,600	1,354	(246)
DISBURSEMENTS						
Prosecuting Attorney	3,025	631	2,394	4,043	2,072	1,971
Total Disbursements	3,025	631	2,394	4,043	2,072	1,971
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,725)	662	2,387	(2,443)	(718)	1,725
CASH, JANUARY 1	1,725	1,725	0	2,443	2,443	0
CASH, DECEMBER 31	0	2,387	2,387	0	1,725	1,725
<u>COMMON #1 ROAD DISTRICT FUND</u>						
RECEIPTS						
Property taxes	42,000	42,458	458	39,000	40,933	1,933
Intergovernmental	0	25,339	25,339	0	0	0
Interest	0	0	0	100	0	(100)
Other	0	2,104	2,104	0	315	315
Loan proceeds	0	0	0	0	67,000	67,000
Transfers in	312,328	301,421	(10,907)	297,000	296,948	(52)
Total Receipts	354,328	371,322	16,994	336,100	405,196	69,096
DISBURSEMENTS						
Salaries and fringe benefits	119,789	107,547	12,242	110,000	113,172	(3,172)
Maintenance	160,000	167,520	(7,520)	262,000	215,636	46,364
Equipment	30,000	22,024	7,976	26,000	32,893	(6,893)
Mileage and training	400	66	334	600	197	403
Other	6,500	5,009	1,491	5,800	5,835	(35)
Loan repayment	50,000	50,000	0	0	17,000	(17,000)
Total Disbursements	366,689	352,166	14,523	404,400	384,733	19,667
RECEIPTS OVER (UNDER) DISBURSEMENTS	(12,361)	19,156	31,517	(68,300)	20,463	88,763
CASH, JANUARY 1	42,134	42,134	0	21,671	21,671	0
CASH, DECEMBER 31	29,773	61,290	31,517	(46,629)	42,134	88,763
<u>COMMON #2 ROAD DISTRICT FUND</u>						
RECEIPTS						
Property taxes	20,000	17,901	(2,099)	16,500	18,040	1,540
Intergovernmental	0	9,212	9,212	0	0	0
Other	0	0	0	0	8	8
Transfers in	221,844	216,385	(5,459)	210,400	213,454	3,054
Total Receipts	241,844	243,498	1,654	226,900	231,502	4,602
DISBURSEMENTS						
Salaries and fringe benefits	50,587	46,059	4,528	53,918	55,419	(1,501)
Maintenance	218,000	189,572	28,428	181,000	138,445	42,555
Equipment	16,500	20,139	(3,639)	8,500	7,793	707
Mileage and training	600	795	(195)	300	477	(177)
Building and grounds	0	0	0	6,000	0	6,000
Other	7,000	8,132	(1,132)	4,500	4,802	(302)
Total Disbursements	292,687	264,697	27,990	254,218	206,936	47,282
RECEIPTS OVER (UNDER) DISBURSEMENTS	(50,843)	(21,199)	29,644	(27,318)	24,566	51,884
CASH, JANUARY 1	69,181	69,181	0	44,615	44,615	0
CASH, DECEMBER 31	18,338	47,982	29,644	17,297	69,181	51,884

Exhibit B

LAWRENCE COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>PROSECUTING ATTORNEY BAD CHECK FUND</u>						
RECEIPTS						
Charges for services	26,000	27,334	1,334	23,000	24,892	1,892
Other	0	171	171	0	55	55
Total Receipts	26,000	27,505	1,505	23,000	24,947	1,947
DISBURSEMENTS						
Prosecuting Attorney	51,926	16,050	35,876	44,863	18,884	25,979
Total Disbursements	51,926	16,050	35,876	44,863	18,884	25,979
RECEIPTS OVER (UNDER) DISBURSEMENTS	(25,926)	11,455	37,381	(21,863)	6,063	27,926
CASH, JANUARY 1	27,926	27,926	0	21,863	21,863	0
CASH, DECEMBER 31	2,000	39,381	37,381	0	27,926	27,926
<u>DOMESTIC VIOLENCE FUND</u>						
RECEIPTS						
Charges for services	1,500	1,180	(320)	1,200	1,350	150
Total Receipts	1,500	1,180	(320)	1,200	1,350	150
DISBURSEMENTS						
Domestic violence shelters	1,500	1,180	320	1,200	1,350	(150)
Total Disbursements	1,500	1,180	320	1,200	1,350	(150)
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0	0	0	0	0
CASH, JANUARY 1	0	0	0	0	0	0
CASH, DECEMBER 31	0	0	0	0	0	0
<u>DRUG AND DARE FUND</u>						
RECEIPTS						
Other	500	555	55	2,000	518	(1,482)
Total Receipts	500	555	55	2,000	518	(1,482)
DISBURSEMENTS						
Sheriff	4,261	2,516	1,745	11,951	6,708	5,243
Total Disbursements	4,261	2,516	1,745	11,951	6,708	5,243
RECEIPTS OVER (UNDER) DISBURSEMENTS	(3,761)	(1,961)	1,800	(9,951)	(6,190)	3,761
CASH, JANUARY 1	3,761	3,761	0	9,951	9,951	0
CASH, DECEMBER 31	0	1,800	1,800	0	3,761	3,761
<u>EMERGENCY 911 FUND</u>						
RECEIPTS						
Charges for services	227,000	218,509	(8,491)	209,584	246,640	37,056
Total Receipts	227,000	218,509	(8,491)	209,584	246,640	37,056
DISBURSEMENTS						
Salaries and fringe benefits	166,029	150,068	15,961	98,538	95,398	3,140
Supplies	5,500	5,485	15	6,000	5,160	840
Mileage and training	2,000	1,548	452	1,500	820	680
Telephone networking	70,000	65,753	4,247	60,000	66,539	(6,539)
Equipment	175,000	36,703	138,297	225,608	17,050	208,558
Total Disbursements	418,529	259,557	158,972	391,646	184,967	206,679
RECEIPTS OVER (UNDER) DISBURSEMENTS	(191,529)	(41,048)	150,481	(182,062)	61,673	243,735
CASH, JANUARY 1	243,735	243,735	0	182,062	182,062	0
CASH, DECEMBER 31	52,206	202,687	150,481	0	243,735	243,735

Exhibit B

LAWRENCE COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>SHERIFF SPECIAL FUND</u>						
RECEIPTS						
Intergovernmental	0	1,052	1,052	0	2,625	2,625
Charges for services	20,000	15,042	(4,958)	17,000	19,945	2,945
Total Receipts	20,000	16,094	(3,906)	17,000	22,570	5,570
DISBURSEMENTS						
Sheriff	29,154	16,841	12,313	24,038	20,454	3,584
Total Disbursements	29,154	16,841	12,313	24,038	20,454	3,584
RECEIPTS OVER (UNDER) DISBURSEMENTS	(9,154)	(747)	8,407	(7,038)	2,116	9,154
CASH, JANUARY 1	9,154	9,154	0	7,038	7,038	0
CASH, DECEMBER 31	0	8,407	8,407	0	9,154	9,154
<u>ELECTION SERVICES FUND</u>						
RECEIPTS						
Intergovernmental	3,800	1,539	(2,261)	2,000	3,825	1,825
Total Receipts	3,800	1,539	(2,261)	2,000	3,825	1,825
DISBURSEMENTS						
Election expense	5,134	654	4,480	2,032	2,523	(491)
Total Disbursements	5,134	654	4,480	2,032	2,523	(491)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,334)	885	2,219	(32)	1,302	1,334
CASH, JANUARY 1	1,334	1,334	0	32	32	0
CASH, DECEMBER 31	0	2,219	2,219	0	1,334	1,334
<u>DEVELOPMENTALLY DISABLED FUND</u>						
RECEIPTS						
Property taxes	224,000	237,486	13,486	196,000	232,373	36,373
Intergovernmental	0	1,219	1,219	800	2,098	1,298
Interest	6,000	5,772	(228)	8,345	7,989	(356)
Loan proceeds	0	0	0	6,855	6,855	0
Other	0	4,611	4,611	0	52	52
Total Receipts	230,000	249,088	19,088	212,000	249,367	37,367
DISBURSEMENTS						
Contractual services	220,000	158,102	61,898	243,000	186,048	56,952
Equipment	0	0	0	10,000	3,032	6,968
Administration	51,000	48,484	2,516	10,000	26,820	(16,820)
Insurance	1,700	1,638	62	3,000	1,616	1,384
Emergency Fund	73,300	0	73,300	0	0	0
Total Disbursements	346,000	208,224	137,776	266,000	217,516	48,484
RECEIPTS OVER (UNDER) DISBURSEMENTS	(116,000)	40,864	156,864	(54,000)	31,851	85,851
CASH, JANUARY 1	173,355	172,794	(561)	166,305	140,943	(25,362)
CASH, DECEMBER 31	57,355	213,658	156,303	112,305	172,794	60,489

Exhibit B

LAWRENCE COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND:

	Year Ended December 31,					
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>SENIOR CITIZENS SERVICE FUND</u>						
RECEIPTS						
Property taxes	130,000	145,188	15,188	127,746	141,905	14,159
Intergovernmental	0	762	762	0	766	766
Interest	1,745	1,561	(184)	3,000	3,133	133
Total Receipts	131,745	147,511	15,766	130,746	145,804	15,058
DISBURSEMENTS						
Contractual services	161,600	135,237	26,363	156,234	153,414	2,820
Office expenditures	3,145	4,166	(1,021)	1,000	1,226	(226)
Emergency Fund	22,000	0	22,000	23,512	0	23,512
Total Disbursements	186,745	139,403	47,342	180,746	154,640	26,106
RECEIPTS OVER (UNDER) DISBURSEMENTS	(55,000)	8,108	63,108	(50,000)	(8,836)	41,164
CASH, JANUARY 1	60,090	60,090	0	68,926	68,926	0
CASH, DECEMBER 31	5,090	68,198	63,108	18,926	60,090	41,164
<u>LAW LIBRARY FUND</u>						
RECEIPTS						
Charges for services	4,800	5,148	348	5,600	4,470	(1,130)
Total Receipts	4,800	5,148	348	5,600	4,470	(1,130)
DISBURSEMENTS						
Law Library	6,300	8,724	(2,424)	5,000	7,322	(2,322)
Total Disbursements	6,300	8,724	(2,424)	5,000	7,322	(2,322)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,500)	(3,576)	(2,076)	600	(2,852)	(3,452)
CASH, JANUARY 1	4,772	4,772	0	7,624	7,624	0
CASH, DECEMBER 31	3,272	1,196	(2,076)	8,224	4,772	(3,452)
<u>CIRCUIT CLERK INTEREST FUND</u>						
RECEIPTS						
Interest	2,084	1,553	(531)	2,068	1,075	(993)
Total Receipts	2,084	1,553	(531)	2,068	1,075	(993)
DISBURSEMENTS						
Circuit Clerk	100	142	(42)	1,000	204	796
Total Disbursements	100	142	(42)	1,000	204	796
RECEIPTS OVER (UNDER) DISBURSEMENTS	1,984	1,411	(573)	1,068	871	(197)
CASH, JANUARY 1	931	6,157	5,226	1,135	5,286	4,151
CASH, DECEMBER 31	2,915	7,568	4,653	2,203	6,157	3,954

Exhibit B

LAWRENCE COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>RECORDER USER FEE FUND</u>						
RECEIPTS						
Charges for services	24,000	36,742	12,742			
Interest	480	1,485	1,005			
Total Receipts	24,480	38,227	13,747			
DISBURSEMENTS						
Recorder of Deeds	19,250	18,043	1,207			
Total Disbursements	19,250	18,043	1,207			
RECEIPTS OVER (UNDER) DISBURSEMENTS	5,230	20,184	14,954			
CASH, JANUARY 1	74,960	74,960	0			
CASH, DECEMBER 31	80,190	95,144	14,954			

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

LAWRENCE COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying financial statements present the receipts, disbursements, and changes in cash of various funds of Lawrence County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, the Developmentally Disabled Board, or the Senior Citizens Service Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America. Those principles require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 2000, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Recorder User Fee Fund	2001
Family Access Fund	2002 and 2001
Collector's Tax Maintenance Fund	2002
Associate Circuit Division Interest Fund	2002 and 2001
Sheriff's Justice Fund	2002 and 2001
Prosecuting Attorney's Forfeiture Fund	2002 and 2001
Sheriff's Vest Fund	2002

Warrants issued were in excess of budgeted amounts for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Law Enforcement Training Fund	2002
Domestic Violence Fund	2001
Election Services Fund	2001
Law Library Fund	2002 and 2001
Circuit Clerk Interest Fund	2002

Section 50.740, RSMo 2000, prohibits expenditures in excess of the approved budgets.

A deficit budget balance is presented for the Common # 1 Road District Fund for the year ended December 31, 2001. However, the budget of that fund also included other resources available to finance current or future year disbursements. Generally, other available net resources represented current year property taxes not received before December 31. Such resources were sufficient to offset the deficit budget balance presented.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 2000, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements did not include the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Circuit Clerk Interest Fund	2002 and 2001
Family Access Fund	2002 and 2001
Associate Circuit Division Fund	2002 and 2001
Sheriff's Justice Fund	2002 and 2001
Prosecuting Attorney's Forfeiture Fund	2002 and 2001
Sheriff's Vest Fund	2002

In addition, for the Developmentally Disabled Fund and the Senior Citizens Service Fund, the county's published financial statements for the years ended December 31, 2002 and 2001, included only those amounts that passed through the County Treasurer.

2. Cash

Section 110.270, RSMo 2000, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo 2000, requires political subdivisions with authority to invest in instruments other than depository accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

The county's deposits at December 31, 2002 and 2001, were entirely covered by federal depository insurance or by collateral securities held by the county's custodial bank in the county's name.

The Developmentally Disabled Board's and the Senior Citizens Service Board's deposits at December 31, 2002 and 2001, were entirely covered by federal depository insurance. However, because of significantly higher bank balances at certain times during the year, uninsured and uncollateralized balances existed at those times although not at year-end.

To protect the safety of county deposits, Section 110.020, RSMo 2000, requires depositaries to pledge collateral securities to secure county deposits not insured by the Federal Deposit Insurance Corporation.

3. Prior Period Adjustment

The Prosecuting Attorney's Forfeiture Fund's cash balance of \$2,959 at January 1, 2001, was not previously reported but has been added.

Supplementary Schedule

Schedule

LAWRENCE COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2002	2001
U. S. DEPARTMENT OF AGRICULTURE				
Passed through state:				
Department of Health and Senior Services -				
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	ERS0451-155W	\$ 0	81,963
		ERS045-2155	86,524	28,313
		ERS045-3155W	29,620	0
	Program Total		116,144	110,276
10.559	Summer Food Service Program for Childrer	ERS146-0514I	0	180
		ERS146-2155I	180	0
	Program Total		180	180
U.S. DEPARTMENT OF JUSTICE				
Passed through:				
State Department of Public Safety -				
16.592	Local Law Enforcement Block Grants Program	2001-LB-BX-4076	1,042	0
Missouri Sheriffs' Association -				
16.unknown	Domestic Cannabis Eradication/Suppression Program	N/A	54	1,024
U. S. DEPARTMENT OF TRANSPORTATION				
Passed through state:				
Highway and Transportation Commission				
20.005	Boater Safety Financial Assistanc	N/A	1,052	0
20.205	Highway Planning and Construction	BRO-055(10)	1,334	0
		BRO-055(15)	0	45,625
		BRO-055(16)	0	294,790
	Program Total		1,334	340,415
FEDERAL EMERGENCY MANAGEMENT AGENCY				
Passed through state Department of Public Safety				
83.534	Emergency Management - State and Local Assistanc	N/A	5,408	4,126
83.544	Public Assistance Grant:	FEMA-1412-DR-MO	21,931	0
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through state:				
Department of Health and Senior Services -				
93.197	Childhood Lead Poisoning Prevention Projects - State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Level in Children	ERS146-1155L	0	718

Schedule

LAWRENCE COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures Year Ended December 31,	
			2002	2001
93.268	Immunization Grants	N/A	58,440	44,946
	Department of Social Services -			
93.563	Child Support Enforcement	N/A	80,865	78,684
	Department of Health and Senior Services -			
93.575	Child Care and Development Block Gran	PGA067-1155C	0	1,978
		PGA067-1155S	0	2,215
		PGA067-2155C	1,775	475
		PGA067-2155S	1,785	910
		PGA067-3223C	1,035	0
		PGA067-3155S	970	0
	Program Total		<u>5,565</u>	<u>5,578</u>
	Department of Social Services -			
93.667	Social Services Block Gran	N/A	60	0
	Department of Health and Senior Services -			
93.919	Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cance Early Detection Programs	ERS161-10003	0	5,770
		ERS161-20026	8,692	4,642
		ERS161-30031	5,932	0
	Program Total		<u>14,624</u>	<u>10,412</u>
93.940	HIV Prevention Activities - Health Department Based	N/A	0	20
93.994	Maternal and Child Health Service: Block Grant to the States	ERS175-1155	0	5,100
		ERS175-1304	0	33,900
		ERS175-2039	42,300	11,700
		ERS175-3036	12,900	0
		ERS146-1155M	0	20,902
		ERS146-2155M	19,807	6,603
		ERS146-3155M	6,648	0
		C100015039	0	130
		DH020027038	162	162
		N/A	560	4,354
	Program Total		<u>82,377</u>	<u>82,851</u>
	Total Expenditures of Federal Award:		<u>\$ 389,076</u>	<u>679,230</u>

N/A - Not applicable

The accompanying Notes to the Supplementary Schedule are an integral part of this schedule

Notes to the Supplementary Schedule

LAWRENCE COUNTY, MISSOURI
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Lawrence County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

Federal financial assistance means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals

Federal award means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for the Immunization Grants (CFDA number 93.268) represent the original acquisition cost of vaccines obtained by the Health Center through the state Department of Health and Senior Services. Amounts for the Maternal and Child

Health Services Block Grant to the States (CFDA number 93.994) include both cash disbursements and the original acquisition cost of vaccines.

2. Subrecipients

The county provided no federal awards to subrecipients during the years ended December 31, 2002 and 2001.

FEDERAL AWARDS -
SINGLE AUDIT SECTION

State Auditor's Report



CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission
and
Officeholders of Lawrence County, Missouri

Compliance

We have audited the compliance of Lawrence County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2002 and 2001. The county's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

In our opinion, Lawrence County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 2002 and 2001. However, the results of our auditing procedures disclosed an

instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as finding number 02-1.

Internal Control Over Compliance

The management of Lawrence County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the county's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as finding number 02-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe that the reportable condition described above is a material weakness.

This report is intended for the information and use of the management of Lawrence County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, pursuant to Section 29.270, RSMo 2000, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill
State Auditor

August 7, 2003 (fieldwork completion date)

Schedule

LAWRENCE COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 2002 AND 2001

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified? yes x no

Reportable conditions identified that are
not considered to be material weaknesses? yes x none reported

Noncompliance material to the financial statements
noted? yes x no

Federal Awards

Internal control over major programs:

Material weaknesses identified? yes x no

Reportable condition identified that is
not considered to be a material weakness? x yes none reported

Type of auditor's report issued on compliance for
major program(s): Unqualified

Any audit findings disclosed that are required to be
reported in accordance with Section .510(a) of OMB
Circular A-133? x yes no

Identification of major programs:

CFDA or
Other Identifying

<u>Number</u>	<u>Program Title</u>
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between Type A
and Type B programs:

\$300,000

Auditee qualified as a low-risk auditee?

_____ yes x no

Section II - Financial Statement Findings

This section includes no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Section III - Federal Award Findings and Questioned Costs

This section includes the audit finding that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

02-1. Schedule of Expenditures of Federal Awards
--

Federal Grantor:	U.S. Department of Agriculture
Pass-Through Grantor:	Department of Health
Federal CFDA Number:	10.557
Program Title:	Special Supplemental Nutrition Program for Women, Infants, and Children
Pass-Through Entity	
Identifying Number:	ERS0451-155W, ERS045-2155, ERS045-3155W,
Award Years:	2002 and 2001
Questioned Costs:	Not applicable
Federal Grantor:	U.S. Department of Transportation
Pass-Through Grantor:	Highway and Transportation Commission
Federal CFDA Number:	20.205
Program Title:	Highway Planning and Construction
Pass-Through Entity	
Identifying Numbers:	BRO-055(10), BRO-055(15), BRO-055(16)
Award Years:	2002 and 2001
Questioned Costs:	Not applicable

Section .310(b) of Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*, requires the auditee to prepare a schedule of expenditures of federal awards (SEFA) for the period covered by the auditee's financial statements. The county is required to submit the schedule of expenditures of federal awards to the State Auditor's Office as a part of the annual budget.

The county does not have adequate procedures in place to track federal awards for the preparation of the SEFA. For the year ended December 31, 2002, the county's SEFA did not include expenditures related to several of its federal grants which resulted in total expenditures being understated by approximately \$84,000. The SEFA prepared for the year ending December 31, 2001 included several errors which resulted in expenditures being overstated by a total of approximately \$21,000. While the total for 2001 may not appear as significant as the total in 2002, some programs were significantly overstated while others were significantly understated. Compilation of the SEFA requires consulting county financial records and requesting information from other departments and officials.

Without an accurate SEFA, federal financial activity may not be audited and reported in accordance with federal audit requirements which could result in future reductions of federal funds.

WE RECOMMEND the County Clerk prepare a complete and accurate schedule of expenditures of federal awards.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

The County Clerk will work with the other county officials to ensure the SEFA is accurate next year.

Follow-Up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

LAWRENCE COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

The prior audit report issued for the two years ended December 31, 2000, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Summary Schedule of Prior Audit Findings
in Accordance With OMB Circular A-133

LAWRENCE COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

This section represents the Summary Schedule of Prior Audit Findings, which was prepared by the county's management.

00-1. Cash Management

Federal Grantor:	U.S. Department of Transportation
Pass-Through Grantor:	Highway and Transportation Commission
Federal CFDA Number:	20.205
Program Title:	Highway Planning and Construction
Pass-Through Entity	
Identifying Numbers:	BRO-055(13), BRO-055(14), BRO-055(15), BRO-055(16)
Award Years:	2000 and 1999
Questioned Costs:	Not applicable

The county had not established cash management procedures to ensure minimum time lapses between receipt of federal project monies and the disbursement to contractors.

Recommendation:

The County Commission establish procedures to minimize the time elapsed between receipt of federal monies and disbursement of such funds.

Status:

Implemented.

00-2. Schedule of Expenditures of Federal Awards

Federal Grantor:	U.S. Department of Agriculture
Pass-Through Grantor:	Department of Health
Federal CFDA Number:	10.557
Program Title:	Special Supplemental Nutrition Program for Women, Infants, and Children
Pass-Through Entity	
Identifying Number:	ER0045-9155, ER0045-0155, ER00451-155W
Award Years:	2000 and 1999
Questioned Costs:	Not applicable
Federal Grantor:	U.S. Department of Transportation
Pass-Through Grantor:	State Highway and Transportation Commission
Federal CFDA Number:	20.205
Program Title:	Highway Planning and Construction
Pass-Through Entity	
Identifying Numbers:	BRO-055(13), BRO-055(14), BRO-055(15), BRO-055(16)
Award Years:	2000 and 1999
Questioned Costs:	Not applicable

The county did not have adequate procedures to track federal awards for the preparation of the schedule of expenditures of federal awards (SEFA).

Recommendation:

The County Clerk prepare a complete and accurate schedule of expenditures of federal awards.

Status:

Not implemented. See finding number 02-1.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Findings

LAWRENCE COUNTY, MISSOURI
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

We have audited the financial statements of various funds of Lawrence County, Missouri, as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated August 7, 2003. We also have audited the compliance of Lawrence County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2002 and 2001, and have issued our report thereon dated August 7, 2003.

We also have audited the operations of elected officials with funds other than those presented in the financial statements. As applicable, the objectives of this audit were to:

1. Determine the internal controls established over the transactions of the various county officials.
2. Review and evaluate certain other management practices for efficiency and effectiveness.
3. Review certain management practices and financial information for compliance with applicable legal provisions.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed accounting and bank records and other pertinent documents and interviewed various personnel of the county officials.

As part of our audit, we assessed the controls of the various county officials to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Our audit was limited to the specific matters described in the preceding paragraphs and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying Management Advisory Report presents our findings arising from our audit of the elected county officials referred to above. In addition, this report includes findings other than those, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These findings resulted from our audit of the financial statements of Lawrence County but do not meet the criteria for inclusion in the written report on compliance and on internal control over financial reporting that is required for an audit performed in accordance with *Government Auditing Standards*.

1.**County Expenditures**

Neither the Sheriff nor the County Commission has performed a formal cost/benefit analysis to determine the reasonableness of costs incurred related to the transporting of prisoners. In addition, adequate supporting documentation was not always maintained for the reimbursement of mileage and expenses. The county also did not always solicit bids nor was bid documentation always retained for various purchases. Further, during the year ending December 31, 2002, the county incurred expenditures totaling \$832 for an employee appreciation dinner.

- A. The county paid a reserve officer wages and reimbursed mileage and expenses to transport prisoners as follows:

<u>Type of payment</u>	Through June 5,	Years Ending December 31,	
	<u>2003</u>	<u>2002</u>	<u>2001</u>
Wages	\$10,410	\$20,889	\$15,420
Mileage	17,090	36,844	26,559
Expenses	<u>8,822</u>	<u>27,396</u>	<u>9,898</u>
TOTAL	<u>\$36,322</u>	<u>\$85,129</u>	<u>\$51,877</u>

Wages were paid at a rate of \$9 per hour in 2003 and 2002 and \$8 per hour in 2001. The mileage was reimbursed at a rate of 31 and 36 ½ cents per mile inside and outside of Lawrence County, respectively. The reserve officer received mileage reimbursements for 47,507 miles as of June 5, 2003, 103,183 miles in 2002, and 85,673 miles in 2001. Expense reimbursements typically included the cost of airline tickets, meals, and lodging for this officer and the prisoners transported. The Sheriff indicated he utilized this reserve officer in lieu of a transport service or other on-duty officers due to the officer's reliability and the amount of travel. During our review of expenditures related to the transporting of prisoners, we noted the following concerns:

1. Neither the Sheriff nor the County Commission has performed a formal cost/benefit analysis to determine the reasonableness of costs incurred related to the transporting of prisoners. Given the excessive amounts of mileage reimbursements and wages paid to this officer, the County Commission and Sheriff should review the costs of purchasing and maintaining a vehicle for transporting prisoners and utilizing a full-time officer or a private transport company. A formal cost/benefit analysis of the costs related to transporting prisoners would better support the county's decision-making process.
2. Adequate supporting documentation was not always maintained for the reimbursement of mileage and expenses.

The reserve officer is required to submit a monthly expense report for the Sheriff's review that summarizes the date, type of transport, name of the prisoner, destination, number of miles traveled, and any expenses incurred for the transports made. The reserve officer also prepares a more detailed report of each transport listed on the monthly expense report that includes copies of receipts for the related expenses incurred; however, the monthly expense report and the detailed transport report did not always agree nor was supporting documentation of expenses incurred always maintained.

For example, the county reimbursed the reserve officer \$4,353 for expenses incurred during the month of September 2002. Supporting documentation was not maintained for \$283 of these expenses.

All expenditures should be supported by paid receipts, and the monthly expense report should be adequately reviewed for accuracy and propriety. Such documentation is necessary to ensure expenditures are a valid and necessary use of county funds.

- B. The county did not always solicit bids nor was bid documentation always retained for various purchases. Examples of items purchased for which bid documentation could not be located are as follows:

<u>Item or Services</u>	<u>Cost</u>
Jail food and supplies	\$47,400
Electrical and wiring services	9,891
Gravel spreading	9,577
Plat books and wall maps	8,563
Printing of assessment forms	8,341
Equipment repairs	7,338
Assessor's computer equipment	7,056
Vaccines	6,749
Used truck with snowplow	4,650

The County Commission and County Clerk indicated that bids were solicited for some of these purchases through telephone calls or some items were only available from one vendor in the area; however, documentation of these calls and sole source procurement situations were not maintained.

Section 50.660, RSMo 2000, requires bids for all purchases of \$4,500 or more from any one person, firm, or corporation during any period of ninety days. Bidding procedures for major purchases provide a framework for economical management of county resources and help assure the county that it receives fair value by contracting with the lowest and best bidders. Competitive bidding ensures all parties are given equal opportunity to participate in county business.

- C. During the year ending December 31, 2002, the county incurred expenditures totaling \$832 for an employee appreciation dinner. This expenditure does not appear to be necessary for county operations or a prudent use of public funds. Further, the county's residents have placed a fiduciary trust in their public officials to spend tax revenues in a necessary and prudent manner.

A condition similar to Part B. was noted in our prior report.

WE RECOMMEND the County Commission:

- A. And the Sheriff perform a cost/benefit analysis of costs related to the transporting of prisoners. In addition, ensure adequate documentation is received and maintained to support all expenditures and monthly expense accounts are adequately reviewed for accuracy and propriety.
- B. Solicit bids for all purchases in accordance with state law and maintain documentation of bids. If bids cannot be obtained and sole source procurement is necessary, the official commission minutes should reflect the necessitating circumstances.
- C. Ensure all expenditures of county monies are necessary and prudent uses of public funds.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

- A. *We will work with the Sheriff to perform a cost/benefit analysis and look at a better way for travel. The Commission will request the Sheriff to ensure all supporting documentation is retained for expenses.*
- B. *We have bid jail food and supplies in 2003 and will in the future better document the reasons for accepting bids and sole source providers.*
- C. *We will review the benefit of the dinner as it relates to employee morale.*

The Sheriff provided the following response:

- A. *Adequate documentation and receipts will be maintained.*

The county's assessment lists and tax books are maintained on a computerized property tax system. The County Assessor is responsible for entering the assessed valuation data. The County Clerk enters the tax rates and extends and prints the tax books. In addition to the property tax computer system, the County Clerk maintains a computer system for preparing checks and maintaining receipt and disbursement information. In our review of controls relating to the two computer systems, we noted the following concerns:

- A. The County Assessor is responsible for entering the assessed valuation data from the assessment sheets. This data is to be completed by May 31 of each year. In addition, the County Assessor has access to the assessment data in the property tax system during the meetings of the county Board of Equalization so he can change assessed valuations when approved by the board. After the meetings of the Board of Equalization are completed, the County Assessor has no statutory authority to make changes to the assessment data. However, the County Assessor and his staff are allowed access to the assessment data at all times. As a result, there is an increased risk that unauthorized changes can be made to the assessment data. In addition, Section 137.260, RSMo 2000, requires that the tax book only be changed by the County Clerk under order of the County Commission.
- B. Controls over property tax additions and abatements are not adequate. The County Collector makes manual changes to the property tax records for additions and abatements occurring throughout the year, while the County Assessor makes these changes to the computer property tax data files. The County Collector provides monthly totals of abatements and additions to the County Commission for their approval. However, the manual changes to the tax books are not compared to the actual changes in the tax data files or to amounts reflected on the County Collector's annual settlement by someone independent of tax collection duties.

Since the County Collector is responsible for collecting the taxes, this procedure for making changes, without independent and subsequent review of actual changes made, weakens controls over the collection of taxes.

Section 137.260, RSMo 2000, requires the tax books only be changed by the County Clerk under order of the County Commission. Controls should be established so that the County Clerk periodically reconciles all additions and abatements to changes made to the property tax system and charge these amounts to the County Collector.

- C. The County Clerk does not maintain an account book with the County Collector. An account book would summarize all taxes charged to the County Collector, monthly collections, delinquent credits, abatements and additions, and protested amounts by tax book. These figures would be verified by the County Clerk from aggregate abstracts, court orders, monthly statements of collections and the tax books. These

verifications are the County Clerk's means of ensuring the amount of taxes charged to the County Collector is complete and accurate.

Section 51.150(2), RSMo 2000, requires the County Clerk to maintain accounts with all persons chargeable with monies payable into the county treasury. A properly maintained account book can be used by the County Commission to verify the County Collector's annual settlements.

- D. The county does not have an adequate password system or procedures to restrict access to the computer systems. Passwords are not kept confidential and are not changed on a regular basis. In addition, user identification codes (IDs) are not used.

User IDs should identify the employee signing on to the computer system and should restrict each employee's access to only his or her assigned responsibilities. Confidential passwords should be used to authenticate these claimed identities by helping to ensure the person using the ID has the authority to use it. Since user IDs are not needed to gain access to the system, the county does not have an effective method to verify the identity of those using the system. In addition, the sharing of passwords can significantly reduce the effectiveness of the security because confidentiality is lost. As a result, there is an increased risk of unauthorized changes to the computer files.

While the County Commission responded in the 1998 audit, as well as other previous audits, that these recommendations would be implemented, conditions have not improved.

WE AGAIN RECOMMEND the County Commission work with the applicable county officials to:

- A. Restrict access to the assessment data during periods when changes to the data are not statutorily allowed.
- B. Establish controls over the property tax addition and abatements process that would allow the County Clerk to periodically reconcile all additions and abatements to changes made to the property tax records and charge these amounts to the County Collector.
- C. Ensure the County Clerk maintains an account book with the County Collector.
- D. Implement a password system which requires each user be assigned a unique user ID and password, and require passwords to be changed periodically.

AUDITEE'S RESPONSE

The County Commission indicated they will work with the computer programmer and various county officials to implement these recommendations.

3. Personnel Policies and Elected Official's Bonds

Timesheets or other records of actual time worked by employees of the Sheriff's office are not filed with the County Clerk's office. In addition, records of vacation or sick leave earned, taken and accumulated are not maintained for some county employees. The county also does not appear to have adequate bond coverage for several elected officials.

- A. The Sheriff's office submits employee's planned monthly work schedules; however, time sheets or other records of actual time worked are not filed with the County Clerk's office. As a result, the County Commission has no documentation of work performed to support some payroll expenditures. The time records should be filed in a central location with the county's payroll records.
- B. Records of vacation or sick leave earned, taken and accumulated are not maintained for some county employees. Currently, each individual officeholder or department is responsible for maintaining leave records. However, the Health Center, Public Administrator, and Sheriff are the only county offices which maintain leave records.

Without centralized leave records, the County Commission cannot ensure that employees' annual and sick leave balances are accurate and that all employees are treated equitably. Centralized leave records will also aid in determining final pay for employees leaving county employment.

- C. The county does not appear to have adequate bond coverage for several elected officials. The county secured a \$10,000 blanket bond for all county employees and believed it covered some of the elected officials; however, wording of the bond is not clear on officials who are required by law to furnish an individual bond to qualify for office. The elected officials who may not be in compliance with statutory bonding provisions are as follows:

<u>Elected Official</u>	<u>Statutory Minimum</u>
County Clerk	\$ 5,000
Sheriff	5,000
Coroner	1,000
Recorder of Deeds	1,000
Surveyor	1,000

Sections 51.070, 57.020, 58.050, 59.100, 60.030, RSMo 2000, requires these county officials to obtain minimum amounts of bond coverage as shown above. In addition, as a means of safeguarding assets and reducing the county's risk in the event of any misappropriation of funds, these officials should be adequately bonded.

Conditions similar to Parts A. and B. were noted in our prior report.

WE RECOMMEND the County Commission:

- A. Require Sheriff's employees to file time sheets with the County Clerk's office to be filed in a central location with the county's payroll records.
- B. Maintain centralized leave records for all county employees.
- C. Ensure all elected officials are bonded as required by statute.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

- A. *We will request in writing for the Sheriff's office to submit time sheets.*
- B. *We will make an effort to centralize these leave records and revise the time sheets.*
- C. *We will get bonds for those officials covered by statutes.*

The Sheriff provided the following response:

- A. *Work schedules and time records are available at the Sheriff's office and available for review by the County Clerk.*

4. Closed Meeting Minutes

Minutes were not always prepared to document the matters discussed in closed meetings. In addition, open meeting minutes did not always document the reasons for closing the meeting, or the final disposition of matters discussed in closed meetings. The County Commission held three closed sessions between January and March 2003, and while the regular meeting minutes did appear to disclose the reason for entering into closed session, minutes were not maintained for the closed portion of the meetings. Further, we noted the County Commission held a closed session meeting in July 2003 to discuss a personnel issue; however, the regular session minutes did not disclose the reason for entering into closed session and did not document the final disposition of matters discussed in closed session.

Section 610.021, RSMo 2000, allows the County Commission to close meetings to the extent they related to certain specified subjects, including litigation, real estate transactions, and personnel issues. Without the preparation of closed minutes, there is less evidence that the provisions of the Sunshine Law, Chapter 610, RSMo, regarding these closed meetings, have been followed.

Section 610.022, RSMo 2000, requires that before any meeting may be closed, the reason for the closed meeting shall be voted on at an open session. This law provides that public governmental bodies shall not discuss any other business during the closed meeting that differs from the specific reasons used to justify such meeting, record, or vote. Section 610.021, RSMo 2000, requires certain matters discussed in closed meetings to be made public upon final disposition.

WE RECOMMEND the County Commission ensure minutes are prepared, and retained for all closed meetings, reasons for closing a meeting are documented, and the final disposition of matters discussed in closed meetings is made public as required by state law.

AUDITEE'S RESPONSE

The County Commission indicated this has been implemented.

5. General Fixed Assets

The County Commission or its designee is responsible for maintaining a complete detailed record of county property. In addition, each county official or their designee is responsible for performing periodic inventories and inspections. Currently, the County Clerk maintains a computerized inventory listing of fixed assets held by county officials; however, periodic inventories and inspections are not made by each county official or the County Clerk, and as a result, a reconciliation is not performed between the property and the inventory listing.

Additions to the inventory listing are also not always reconciled to equipment expenditures, and as a result, the following items were not recorded on the county's general fixed asset listing:

<u>Item</u>	<u>Cost</u>	<u>Office</u>
6 patrol cars	\$123,088	Sheriff
Courthouse improvements	40,000	County
911 recording equipment	36,000	Sheriff
Jeep	20,849	Sheriff
Jeep	19,977	Assessor
Used truck with snow plow	4,650	Road District Common II
Rifle	450	Sheriff

In addition, property tags are not affixed to newly purchased assets immediately upon receipt. Adequate general fixed asset records are necessary to secure better internal control over county property, meet statutory requirements, and provide a basis for determining proper insurance coverage required by the county. Section 49.093, RSMo 2000, provides the county officer of each county department shall annually inspect and inventory county property used by that department with an individual value of \$250 or more and any property with an aggregate original value of \$1,000 or more. All remaining property not inventoried by a particular department shall be inventoried by the County Clerk. The reports required by this section shall be signed by the County Clerk. In addition, property control tags should be affixed to all fixed asset items to help improve accountability and to ensure that assets are properly identified as belonging to the county.

A similar condition was noted in our prior report.

WE RECOMMEND the County Commission establish a written policy related to the handling and accounting for general fixed assets. In addition to providing guidance on accounting and record keeping, the policy could include necessary definitions, address important dates, discuss procedures for the handling of asset disposition, and any other concerns associated with county property. Also, inventories and inspections should be performed by each county official and the County Clerk. In addition, general fixed asset purchases should be periodically reconciled to general fixed asset additions. Further, property control tags should be affixed.

AUDITEE'S RESPONSE

The County Commission indicated the County Clerk is currently working with the office holders to complete an inventory and it will be completed by September 30, 2003. The County Commission will implement a written policy.

6. Collector's Controls and Procedures

The County Collector is responsible for collecting and distributing property taxes for most political subdivisions within the county. During the years ended February 28, 2003 and 2002, the County Collector collected property taxes totaling approximately \$13.1 million and \$12.7 million, respectively. During our review we noted the following concerns:

- A. The County Collector did not distribute the interest received from bank deposits on a timely basis. Interest earned from October 1999 through December 2000, totaling in excess of \$20,000, was not distributed to various political subdivisions within the county until July of 2001. As of February 28, 2003, the Collector had not distributed interest earned during 2002 and 2001 totaling \$38,846. In May 2003, interest earned in 2001 totaling \$20,370 was distributed. The 2002 interest remains undistributed. The County Collector indicated that he holds the interest in his bank account to cover any insufficient funds checks received.

Timely distribution of the interest earned to the political subdivisions is important because most political subdivisions rely on these type of revenues to fund their operation and it also reduces the amount of reconciling items on the monthly bank reconciliation.

B. The County Collector has not established effective controls over monies received for tax payments in his office. Our review of the controls used by the County Collector to process tax payments revealed the following concerns:

- The County Collector does not deposit receipts intact or on a timely basis. During October through January of each year, deposits are made daily; however, at other times, deposits are generally made once or twice a week. For example, during a cash count performed on August 6, 2003, we noted some receipts that had been held since August 1, 2003. Further, during the cash count \$861 was identified as excess tax collections that the County Collector could not match to specific tax payments; however, the cash book indicated the excess amount should have been \$912, resulting in a shortage of \$51. The excess tax collections are maintained in the balance of the change fund and the balance fluctuates from day to day. A cash book is used by the County Collector to track the balance of the change fund; however, the balance has accumulated to a significant amount and should be investigated.
- The method of payment received (cash, check, and money order) is not consistently indicated on the paid tax receipt.

The failure to deposit receipts intact makes it difficult to ensure all monies collected have been deposited. To adequately safeguard against theft or misuse of funds and to provide assurance that all receipts are deposited, all receipts should be deposited intact daily, the method of payment should be indicated on each tax receipt, the composition of receipts should be reconciled to the composition of deposits, and any excess tax collections should be identified and investigated immediately.

C. The County Collector maintains two bank accounts. One account is for the deposit of partial payments of property taxes and the other "regular account" is for the deposit of all other property tax payments. During our review of these accounts, we noted the following concerns:

1. Bank reconciliations were not documented monthly for the partial payment account. Documented bank reconciliations are necessary to ensure all receipts and collections are properly accounted for and facilitate reconciliation procedures between cash in the bank and liabilities.

2. At February 28, 2003, seventeen checks written on the regular account, totaling \$134, and a \$106 check written on the partial payment account had been outstanding for over a year. These old outstanding checks create additional and unnecessary record-keeping responsibilities. Procedures should be adopted to routinely follow up on old outstanding checks. Old outstanding checks should be voided and reissued to those payees who can be readily located. If the payees cannot be located, various statutory provisions including Sections 447.400 through 447.595, RSMo 2000 provide for the disposition of unclaimed monies.

WE RECOMMEND the County Collector:

- A. Allocate interest on a timely basis.
- B. Deposit all monies received intact daily and ensure the method of payment is indicated on each paid tax receipt. Any excess tax collections should be identified and investigated immediately. In addition, the County Collector should reconcile the composition of receipts to the composition of bank deposits.
- C. Document monthly bank reconciliations. In addition, reissue old outstanding checks to any payees who can be located or dispose of these monies through the applicable statutory provisions, and establish routine procedures to investigate checks outstanding for a considerable time.

AUDITEE'S RESPONSE

The Collector provided the following responses:

- A. *Interest will be distributed on a yearly basis beginning in 2003.*
- B. *New equipment and software will be purchased in April 2004 which will document the method of payment and assist in correcting this situation.*
- C. *This is currently being done. We are currently following up on old outstanding checks periodically. If payees can't be located, we will turn those over to the Unclaimed Property every 3 years.*

The Sheriff receives monies for civil and criminal process fees, gun permit fees, cash bonds, board bills, and phone commissions. The Sheriff handled receipts totaling approximately \$244,000 and \$241,000 during the years ending December 31, 2002 and 2001, respectively. Our review of the Sheriff's accounting controls and procedures noted the following areas in need of improvement:

- A. One employee in the Sheriff's office is responsible for recording and depositing receipts, preparing and signing checks, and maintaining the accounting records. To safeguard against loss, theft, or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Proper segregation of duties helps provide this assurance. This could be achieved by designating an employee who does not have access to cash receipts to perform reconciliations of accounting records to bank statements. At a minimum, there should be a review made and documented by a supervisor or by someone independent of these duties.
- B. Receipts are not deposited on a timely basis. Deposits are made approximately once a week and average from \$1,500 to \$5,000. For example, receipts totaling \$4,455 were held up to six days before being deposited on June 9, 2003. To adequately safeguard receipts and reduce the risk of loss or misuse of funds, deposits should be made daily or when accumulated receipts exceed \$100.
- C. The Sheriff's office received \$17,048 of law enforcement block grant funds during the years ending December 31, 2002 and 2001. The receipts were deposited into a special bank account maintained by the Sheriff and \$1,042 of the grant funds were spent during the year ending December 31, 2002, for security improvements to the jail.

In addition, the Sheriff's office received bullet proof vest grant monies totaling \$2,956 during 2002. These vest grant monies were deposited into the Sheriff's fee bank account until they were expended in 2003 rather than being turned over to the County Treasurer.

There is no statutory authority for the Sheriff to maintain such accounts outside the county treasury. Attorney General's Opinion No. 45, 1992 to Henderson, states, "...sheriffs are not authorized to maintain a bank account for law enforcement purposes separate from the county treasury." The remaining account balances should be transferred to the County Treasurer and future receipts should be transmitted directly to the County Treasurer.

Conditions similar to Parts A. and B. were noted in our prior report.

WE RECOMMEND the Sheriff:

- A. Adequately segregate accounting duties to the extent possible or ensure periodic supervisory reviews are performed and documented.
- B. Deposit monies daily or when accumulated receipts exceed \$100.
- C. Discontinue all bank account transactions except for the deposit and disbursement of bonds and accountable monies received for the performance of official duties. Ensure all monies which are presently held in the accounts are disbursed to the County Treasurer, and in the future, turn over all fees to the County Treasurer.

AUDITEE'S RESPONSE

The Sheriff provided the following responses:

- A. *We segregated receipting and depositing duties on September 10, 2003.*
- B. *We will consider depositing more timely. In addition, we have implemented procedures to ensure cash bonds are deposited immediately.*
- C. *The block grant will be maintained in a separate bank account in the control of the County Commission and the County Treasurer starting in October 2003. The bullet proof vest funds have been completely expended.*

8. Recorder of Deed's Controls and Procedures
--

Total receipts are not reconciled to total fees abstracted and disbursed, and listings of marriage license fees remaining in the bank account are not prepared. Approximately \$6,900 remains unidentified in the bank account at December 31, 2002. In addition, the Recorder of Deeds maintains custody of the Recorder User Fee Fund, but has not established adequate internal controls to properly account for the revenues and expenditures of this fund, and a Form 1099-MISC was not prepared as required.

- A. Total receipts are not reconciled to total fees abstracted and disbursed, and listings of marriage license fees remaining in the bank account are not prepared. Approximately \$6,900 remains unidentified in the bank account at December 31, 2002.

All receipts are recorded in a daily receipt book which is reconciled to total bank deposits. When the related document is filed and recorded, the document and fee are recorded in the abstract book. The abstract book is totaled each month and the fees are disbursed to the applicable parties. In most instances, the document and fee are

recorded in the abstract book at the same time the fee is received. However, marriage licenses are not recorded in the abstract book until the license is returned.

Monthly reconciliations between total receipts, total fees abstracted, and undistributed marriage license fees would provide assurance that the records are in balance and that sufficient cash is available for fees which will be distributed at a later date.

- B. The Recorder of Deeds maintains custody of the Recorder User Fee Fund, but has not established adequate internal controls to properly handle the revenues and expenditures of these funds. For example, a Form 1099-MISC was not prepared for the construction of office cabinets totaling \$3,400 which was expended from the Recorder User Fee Fund during 2002.

Section 59.319, RSMo 2000, requires the Recorder User Fee Fund to be maintained by the County Treasurer. In addition, Sections 6041 through 6051 of the Internal Revenue Code require payments of at least \$600 or more in one year to an individual for professional services or for services performed as a trade or business by nonemployees (other than corporations) be reported to the federal government on Forms 1099-MISC.

Although similar problems were noted in the 1998 audit, as well as other previous audits, conditions have not improved.

WE AGAIN RECOMMEND the Recorder of Deeds:

- A. Perform monthly reconciliations of total receipts and total fees abstracted, and prepare monthly listings of marriage license fees to ensure the cash balance agrees to the amount of undistributed fees. Any amounts remaining unidentified should be investigated to determine the proper disposition.
- B. Turn custody of the Recorder User Fee Fund to the County Treasurer and ensure Forms 1099-MISC are issued in accordance with IRS regulations.

AUDITEE'S RESPONSE

The Recorder of Deeds provided the following responses:

- A. *This was implemented July 2003.*
- B. *The custody of the Recorder User Fee Fund will be turned over to the County Treasurer by January 2004.*

9.**Public Administrator's Procedures**

The Public Administrator acts as the court appointed personal representative for wards or decedent estates of the Probate Court. During the years ending December 31, 2002 and 2001, the Public Administrator handled approximately eighty-six cases. A review of the annual settlements filed by the Public Administrator indicated the following problems:

- A. Four of the five annual settlements reviewed that were required to be filed by the Public Administrator during the years ending December 31, 2002 and 2001 were not filed in a timely manner. These annual settlements were filed one to two months late.

Section 473.540, RSMo 2000, requires the Public Administrator to file with the court an annual settlement for each ward on the anniversary of the date of becoming the personal representative.

- B. Annual settlements filed by the Public Administrator were not always complete. Real estate owned by one client was not accounted for on the annual settlements. The real estate was appraised at \$71,900 by the Assessor's office.

For settlements to accurately present the activity and status of a particular case, all assets should be properly reflected on the settlements.

- C. The Public Administrator maintained funds for a client in a non-interest bearing checking account totaling \$199,395 as of July 17, 2002. The failure to have funds in interest-bearing accounts results in the loss of revenues. To maximize interest earnings, all funds should be placed in interest-bearing accounts.

These funds were also not adequately covered by collateral securities. The Public Administrator apparently did not monitor the funds on deposit to ensure adequate collateral securities were pledged. Section 110.020, RSMo 2000, provides the value of the securities pledged shall at all times be not less than 100 percent of the actual amount on deposit less the amount insured by the FDIC. Inadequate collateral securities leave funds unsecured and subject to loss in the event of a bank failure.

Although conditions similar to Parts A. and B. were noted in the 1998 audit, as well as other previous audits, these conditions have not improved.

WE RECOMMEND the Public Administrator and the Associate Circuit Judge:

- A. Ensure annual settlements are filed on a timely basis.
- B. Ensure annual settlements are accurate prior to filing, including listing any real estate assets on the settlements.

- C. Maintain estate's funds in interest-bearing accounts, and ensure adequate collateral securities are pledged for all funds on deposit in excess of FDIC coverage.

AUDITEE'S RESPONSE

The Associate Circuit Judge provided the following responses:

- A. *Delay is often caused by the busy schedule of the attorneys who prepare the settlement. The Public Administrator will set up her own independent docket/tickler system for annual settlements for each file so that each month will list the annual settlements for the next succeeding month.*

The Public Administrator will maintain in each protectee's file a "check list" showing the date the settlement information was given to the attorney preparing the settlement; a follow up reminder communication to the attorney if the settlement has not been received in time to file with the court on the annual settlement date; and notification to the court if the settlement is more than 30 days late.

- B. *The Public Administrator has been instructed to check with the Lawrence County Assessor for any new estate opened for a protectee to identify any real property held in the name of the decedent, individually or jointly. This would not identify any real property held by a protectee outside Lawrence County but to require contacting other counties or entities would be unduly burdensome.*

- C. *The court is informed there are only two protectee estates with assets exceeding \$100,000 invested in one institution. The Public Administrator will diversify the certificates of deposits with other FDIC institutions as the certificates mature. Alternatively, the public administrator has been instructed to consult with the preset institutions to explore the feasibility of additional collateral securities being pledged by the bank.*

The Public Administrator has been also instructed to review each protectee's checking account at monthly intervals. The present interest rate on checking accounts is .45% and might be subject to a monthly charge. The court feels that it is feasible to consider an interest bearing checking account if the average balance in the account exceeds \$25,000 for two consecutive months.

The Public Administrator provided the following responses:

- A. *Often times the settlements could be delayed because attorneys may not have had enough time to prepare the settlements, or they had difficulty preparing them in a timely manner. In order to rectify the problem, I believe the solution would be to develop a spread sheet on the computer with a tickler system which would aid in preparation of the settlements, so that the information would be prepared, delivered and monitored on a closer basis with our attorneys. This system has already been implemented.*

- B. *I believe the client who is in question regarding his real estate not being accounted for on his annual settlement was an oversight in previous years before I took office, however a second amended inventory which reflects the changes regarding his real estate has been prepared.*
- C. *The client in question who had a non-interest bearing account with a checking account balance of \$199,395 had a previous personal representative who established this account. Then upon my appointment as the successor personal representative I didn't realize his checking account wasn't an interest bearing account. In the future, I will monitor this more closely, by reviewing every account on a monthly basis in order to get the best revenues for my protectee's checking accounts.*

Regarding clients who have over \$100,000 in one banking institution, I believe that would only consist of two of my wards at the present time. I will speak to the president of the bank where the majority of my wards checking accounts are established, and see if he has a solution for securing any accounts who currently exceed \$100,000. If not, I will remove funds from this bank, upon the maturity dates of my certificate of deposits, in order to avoid any early penalties.

Then the funds would then be placed in another FDIC banking institution.

However, the majority of my ward's would have a average monthly balance of less than one thousand dollars every month. Therefore, the interest earned, if they have an interest-bearing account would not be beneficial to their account in fact it could be detrimental to their finances since the banks would charge them a monthly service charge fee of between \$7.50 and \$10.00 every month.

10. Circuit Clerk's Controls and Procedures
--

The Circuit Clerk collects cash receipts for making photocopies, which were held as a change fund and used for postage. Copy monies received and spent were recorded on a receipt log that indicated \$721 of copy monies had been collected and \$6 had been spent for postage during the time period November 2, 2000 through June 18, 2003. However, during a cash count of these copy monies conducted on June 18, 2003 only \$448 was on hand, resulting in a shortage of \$267. The Circuit Clerk turned the balance of these copy fees plus additional copy monies over to the County Treasurer on June 20, 2003, and indicated that she no longer needed a change fund. The shortage occurred because an adequate segregation of duties did not exist, the copy receipts were not transmitted to the County Treasurer monthly, and copy receipts were not periodically counted and reconciled to recorded receipts by an independent person. This discrepancy could have been prevented or detected on a more timely basis if adequate oversight and reviews had been performed.

WE RECOMMEND the Circuit Clerk investigate the shortage and take appropriate action. In the future, the Circuit Clerk should remit copy monies received to the County Treasurer at least monthly.

AUDITEE'S RESPONSE

The Circuit Clerk indicated that it is agreed that the audit report reflecting monies collected for copy expenses and disbursements is as stated. When the shortage was discussed, I did state it was highly probable that some of the funds were used to purchase postage for juror questionnaires. This practice was not unusual in that when postage was needed, the county was not always able to cut a check at that precise time. It was not unusual to use the petty cash fund 2 or 3 times a year for purchase of postage. Previous records would reflect this. When this was done, we tried to write the amount expended on the receipt log as a deduction. However, with most certainty, I feel that the amounts failed to get logged as a deduction and was a total oversight due to shortage of staff and working so hard to keep things done.

All monies were turned over to the county on June 20, 2003. It is the intention of the Circuit Clerk to only receive copy monies of \$5.00 or less. Said fees will be balanced by a designated employee monthly and remitted to the County Treasurer upon total receipt of \$50.00 or more. It is with 99% probability that the shortage of funds was due to postage usage for juror questionnaires. Due to the above, I do not feel that there is any further action to take regarding investigation of a shortage.

11. County Treasurer's Procedures
--

Interest earned on the County Treasurer's general checking account is not properly allocated. Various funds, including schools, special road and bridge, assessment, and prosecuting attorney bad check, are included in the account; however, interest earned on the account totaling \$72,229 during the two years ending December 31, 2002, was credited solely to the General Revenue Fund.

Section 110.150, RSMo 2000, and the Missouri Attorney General's Opinion No. 126, 1981 to Antonio; No. 108, 1981 to Busker; No. 148, 1980 to Antonio; and No. 40, 1965 to Owensby, provide the interest on school funds, county hospital and hospital district funds, county library funds, county health center funds, special road and bridge funds, and assessment funds, be placed to the credit of those funds, and the interest on all other funds to the credit of the county's General Revenue Fund. In addition, Section 570.120, RSMo. 2002, requires that the Prosecuting Attorney Bad Check Fund be maintained by the County Treasurer in an interest-bearing account.

A similar condition was noted in our prior report.

WE AGAIN RECOMMEND the County Treasurer distribute all interest earned in accordance with statutory provisions and opinions of the Attorney General.

AUDITEE'S RESPONSE

The County Treasurer indicated road and school monies are dispersed monthly, as received. To accommodate the annual budgeting process, interest will be allocated per your recommendation at the beginning of the new budget year.

12. Prosecuting Attorney's Procedures
--

The Prosecuting Attorney maintained U.S. Treasury forfeiture monies totaling \$4,172 at December 31, 2002, in the Prosecuting Attorney bad check fee account. There appears to be no statutory authority for the Prosecuting Attorney to maintain custody of these monies. Missouri Attorney General's Opinion No. 45, 1992, to Henderson states that the Prosecuting Attorney of a third class county is not authorized to maintain a bank account for law enforcement purposes separate from the county treasury. The remaining account balances should be transferred to the County Treasurer and future receipts should be transmitted directly to the County Treasurer.

WE RECOMMEND the Prosecuting Attorney turn over the remaining balance of forfeiture monies held in the bad check fee account to the County Treasurer.

AUDITEE'S RESPONSE

The Prosecuting Attorney indicated he intended to expend or transfer to the County Treasurer the remaining funds by January 2004.

13. Health Center's Controls and Procedures
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Donations are not recorded on the daily receipt log until the end of the month, and the method of donation payments received (cash, check, money order, etc.) is not always indicated on the receipt log. In addition, receipts are not always transmitted to the County Treasurer intact on a timely basis, and receipts are kept in an unattended file room accessible to all employees. Health Center personnel also do not periodically calculate and monitor the average cost per client of providing Comprehensive Family Planning (CFP) services.

- A. The health center maintains a daily log of all receipts; however, donations are not recorded on the daily receipt log until the end of the month, and the method of donation payments received (cash, check, money order, etc.) is not always indicated on the receipt log.

To ensure receipts are accounted for properly and transmitted intact, all receipts should be recorded on the receipt log and the method of payments received should be recorded and the composition of recorded receipts should be reconciled to the composition of amounts transmitted to the County Treasurer.

- B. Receipts are not always transmitted to the County Treasurer intact on a timely basis. Receipts are transmitted approximately once a week, and the Health Center retains \$1 to \$10 in cash from each transmittal to provide change and purchase office supplies. As a result, the change fund is not maintained at a set amount. In addition, receipts are kept in an unattended file room accessible to all employees.

To adequately safeguard against theft or misuse of funds and to provide assurance that all receipts are properly transmitted, receipts should be transmitted intact on a daily basis or when accumulated receipts exceed \$100, the change fund should be maintained at a constant amount, and all receipts should be maintained in a secure location.

- C. Health Center personnel do not periodically calculate and monitor the average cost per client of providing Comprehensive Family Planning (CFP) services. The health center's CFP contract with the Missouri Department of Health provides the average cost of providing CFP services should be at least \$150 (excluding administrative costs). Based upon CFP expenditures documented by the health center for the federal fiscal year ended September 30, 2001, we calculated an average cost of approximately \$139 per client excluding administrative costs. Failure to comply with provisions of the contract could result in decreased funding of future services.

Conditions similar to Parts A. and B. were noted in our prior report.

WE RECOMMEND the Health Center to:

- A. Record all receipts, including method of payment, on the receipt log and reconcile the composition of receipts to the composition of transmittals to the County Treasurer.
- B. Transmit all monies intact daily or when receipts exceed \$100, maintain the change fund at a constant amount, and store receipts in a secure location.
- C. Ensure CFP expenditures are in compliance with the contract and contact the state Department of Health to resolve this situation.

AUDITEE'S RESPONSE

The Health Center provided the following responses:

- A. Donations will be logged daily and will be recorded on the daily receipt log and method of payments will be indicated. Composition of recorded receipts will be reconciled to the composition of amounts transmitted to the County Treasurer starting September 11, 2003.*
- B. Currently, receipts are transmitted each Friday. The only time the County Treasurer does not receive and log monies weekly from the Health Department is when her office is closed. The change fund is kept in the safe in the back room and the Administrator and clerk have access to the safe. The change fund is currently \$50 and is kept at constant amount. When funds exceed \$100 in the receipt box they will be transmitted to the safe to safeguard against theft or misuse of funds.*
- C. CFP contracts were discontinued as of May 2003.*

14. Board of the Developmentally Disabled
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- A. The Board of the Developmentally Disabled's funds on deposit were not adequately covered by collateral securities. Coverage was deficient by approximately \$8,000 during February 2002. While the Board of the Developmentally Disabled deposited funds in several banks to maximize FDIC coverage, they apparently did not monitor the funds closely to ensure adequate collateral securities were pledged.

Section 110.020, RSMo 2000, provides the value of the securities pledged shall at all times be not less than 100 percent of the actual amount on deposit less the amount insured by the FDIC. Inadequate collateral securities leave funds unsecured and subject to loss in the event of a bank failure.

- B. The financial activity presented in the 2002 budget prepared by the Board of the Developmentally Disabled was inaccurate. Actual disbursements for the year ended December 31, 2002, were understated by \$10,260 because the Board Treasurer failed to include checks that had not cleared the bank at year-end. This error also caused the cash balance reported on the budget to be inaccurate.

To be of maximum assistance to the Board of the Developmentally Disabled and to adequately inform the public, the budget should accurately reflect the financial activity of the board. In addition, accurate information is essential to provide reasonable estimates of anticipated receipts and disbursements so that the board may utilize the budget as a management planning tool and as a control over expenditures.

WE RECOMMEND the Board of the Developmentally Disabled:

- A. Ensure adequate collateral securities are pledged for all funds on deposit in excess of FDIC coverage.
- B. Ensure the budget is prepared accurately to reflect the financial activity of the board.

AUDITEE'S RESPONSE

The Board for the Developmentally Disabled provided the following responses:

- A. *As of January 1, 2003, the Lawrence County Board for the Developmentally Disabled funds held on deposit with Great Southern Bank that are in excess of \$100,000 will be backed by acceptable securities as required by Section 30.270 RSMo.*
- B. *We were using the date the checks cleared the bank instead of when they were written.*

We thought at the last county audit, that this was the way the State Auditor said it should be done. We obviously misunderstood their statement on when to post checks. We now understand the process and will take action to correct this problem.

15.

Senior Citizens Service Board

- A. A member of the Senior Citizens Service Board has been appointed treasurer and serves as custodian of the Senior Citizens Service Fund. There appears to be no statutory authority that allows the board to maintain an account outside the county treasury, and the board has not obtained a legal opinion to support its decision to maintain custody of the fund. Section 67.993, RSMo 2000, indicates the Senior Citizens Service Fund should be established within the county treasury. Further, due to inaccuracies noted between the accounting records and the budgets prepared by the board treasurer, the Senior Citizens Service Board should consider turning the custody of this fund over to the county.
- B. The Senior Citizens Service Board's funds on deposit were not adequately covered by collateral securities. Coverage was deficient by approximately \$45,000 and \$25,000 during January 2003 and February 2002, respectively. The Senior Citizens Service Board apparently did not monitor the funds on deposit to ensure adequate collateral securities were pledged.

Section 110.020, RSMo 2000, provides the value of the securities pledged shall at all times be not less than 100 percent of the actual amount on deposit less the amount insured by the FDIC. Inadequate collateral securities leave funds unsecured and subject to loss in the event of a bank failure.

WE RECOMMEND the Senior Citizens Service Board:

- A. Turn over custody of the Senior Citizens Service Fund to the County Treasurer.
- B. Ensure adequate collateral securities are pledged for all funds on deposit in excess of FDIC coverage.

AUDITEE'S RESPONSE

The Senior Citizens Service Board provided the following responses:

- A. *The philosophy of the Lawrence County Senior Service Board in regards to having funds in the care of the board is as follows:*

- 1. Checks require two signatures, which allows more security.*
- 2. The board can probably watch to see that the highest interest is paid for the board's funds.*
- 3. There is less time elapsed between filing of the requests and payment of the approved requests than is possible with the funds being disbursed by the County Treasurer.*

It should be noted that the board is bonded and has liability insurance. Also, as we understand, when we met with other senior boards, they have managed their funds and not their County Treasurer.

The board has met with the County Treasurer in January 2002, and we were mutually agreeable that the funds should remain with the Senior Citizens Service Board.

- B. *The Lawrence County Board for Senior Citizens has a depository agreement as of February 2003. This will ensure adequate collateral securities are pledged for all funds on deposit in excess of FDIC coverage. We believe this will correct the problem.*

Follow-Up on Prior Audit Findings

LAWRENCE COUNTY, MISSOURI FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Lawrence County, Missouri, on findings in the Management Advisory Report (MAR) of the audit report issued for the two years ended December 31, 1998.

The prior recommendations which have not been implemented, but are considered significant, are repeated in the current MAR. Although the remaining unimplemented recommendations are not repeated, the county should consider implementing those recommendations.

1. County Expenditures

- A. Bids were not always solicited nor was bid documentation always retained for various purchases.
- B. Amounts paid to reserve officers for transporting prisoners to the state penitentiary were not subjected to payroll withholdings and reported on the employee's W-2 forms.

Recommendation:

The County Commission:

- A. Solicit bids for all purchases in accordance with state law and maintain documentation of bids. If bids cannot be obtained and sole source procurement is necessary, the official commission minutes should reflect the necessitating circumstances.
- B. Ensure amounts paid to reserve officers are properly reported on W-2 forms. Amended W-2 forms should be prepared for amounts paid to reserve officers in prior years.

Status:

- A. Not implemented. See MAR finding number 1.
- B. Implemented.

2. Revenue Maximization

The county did not receive reimbursement of \$5,528 for which it was entitled under a federal bridge project which was administered by the Missouri Department of Transportation.

Recommendation:

The County Commission develop procedures to ensure all federal grant reimbursements are requested and received, and seek reimbursement of the \$5,528 from MODOT.

Status:

Implemented. The reimbursement was received on July 12, 1999, and the County Commission has developed procedures to compare expenditures to the related reimbursements.

3. Personnel Policies and Procedures

- A. Time sheets or other records of actual time worked were not maintained by employees of the County Clerk, County Assessor, County Collector, Recorder of Deeds and the Prosecuting Attorney.
- B. Records of vacation or sick leave earned, taken and accumulated were not maintained for some county employees.
- C. The county did not have a comprehensive employee manual.
- D. The Health Center and the Prosecuting Attorney had written compensatory time policies that did not appear to comply with the Fair Labor Standards Act (FLSA).

Recommendation:

The County Commission:

- A. Require all county employees to complete time sheets which reflect actual time worked and leave taken. The records should be prepared by employees, approved by the applicable supervisor, and filed in a central location with the county's payroll records.
- B. Maintain centralized leave records for all county employees.
- C. Develop a comprehensive employee manual.
- D. Ensure overtime and compensatory time policies adopted by the Prosecuting Attorney and Health Center comply with the FLSA.

Status:

- A. Partially implemented. All employees complete time sheets; however, employees of the Sheriff's office do not submit their time sheets to the County Clerk's office. See MAR finding number 3.
- B. Not implemented. See MAR finding number 3.
- C. Partially implemented. A comprehensive employee manual was adopted April 10, 2001; however, the manual did not address the need for centralized leave records and require time sheets to be submitted to the County Clerk's office. See MAR finding number 3.
- D. Implemented. The Prosecuting Attorney discontinued his policy, and his employees are currently covered under the county's policy. The Health Center adopted a new policy that is in compliance with the FLSA.

4. County Officials' Compensation

- A. Salary adjustments were made to the Assessor's and Collector's salaries as of January 1, rather than the date of their incumbency as set forth by the salary commission minutes.
- B. The County Treasurer was overpaid for the years of 1996 through 1998.
- C. The Public Administrator received an annual salary of \$4,000 during the year ending December 31, 1998, even though fees received from various cases assigned to him exceeded the statutory limit of \$25,000. It was questionable whether any additional salary was allowable.

Recommendation:

The County Commission review these matters with the various officials and Prosecuting Attorney to ensure the proper amounts were paid to the various officials and seek reimbursement for any overpayments.

Status:

- A&B. Not implemented. Although not repeated in our current report, our recommendation remains as stated above.
- C. Implemented. The Public Administrator returned the \$4,000 to the county on September 15, 1999.

5. Property Tax System and Computer Controls

- A. The County Assessor and his staff had access to assessment data during periods when changes to the data were not statutorily allowed.
- B. The County Collector made manual changes to the property tax records for additions and abatements occurring throughout the year while the County Assessor made these changes to the computer property tax data files; however, the manual changes to the tax books were not compared to the actual changes in the tax data files or to amounts reflected on the County Collector's annual settlements by someone independent of tax collection duties.
- C. The County Clerk did not maintain an account book with the County Collector.
- D. The county did not have an adequate password system or procedures to restrict access to the computer systems. In addition, user identification codes (IDs) were not used.

Recommendation:

The County Commission:

- A. Restrict access to the assessment data during periods when changes to the data are not statutorily allowed.
- B. Establish controls over the property tax addition and abatements process that would allow the County Clerk to periodically reconcile all additions and abatements to changes made to the property tax records and charge these amounts to the County Collector.
- C. Ensure the County Clerk maintains an account book with the County Collector.
- D. Implement a password system which requires each user be assigned a unique user ID and password, and require passwords to be changed periodically.

Status:

A-D. Not implemented. See MAR finding number 2.

6. General Fixed Asset Records and Procedures

The county manual general fixed asset records had not been updated for property acquired or disposed of since June 1997. In addition, the County Clerk did not perform physical inventories of assets and compare the results to the property records. Also, most fixed assets were not properly numbered, tagged, or otherwise identified as county owned property.

Recommendation:

The County Clerk maintain general fixed asset records on a current basis, periodically reconcile these records to property purchases and deletions, and conduct annual physical inventories of all county-owned property. In addition, property control tags should be affixed on all fixed assets immediately upon receipt.

Status:

Not implemented. See MAR finding number 5.

7. County Treasurer's Procedures

- A. The county did not have procedures to monitor collateral securities pledged by the county's depository bank, and as a result, the county's funds were under collateralized by over \$2,600,000 for a few days in January 1998.
- B. Interest earned on the County Treasurer's general checking account was not allocated properly.

Recommendation:

The County Treasurer:

- A. Work with other applicable officials and establish monitoring procedures to ensure the depository bank pledges adequate collateral securities at all times.
- B. Distribute all interest earned in accordance with statutory provisions and opinions of the Attorney General.

Status:

- A. Implemented.
- B. Not implemented. See MAR finding number 11.

8. Health Center's Controls and Procedures

- A. The number of certificates, permits, and inspections issued did not always agree with the corresponding receipts on the daily receipt log. In addition, donation receipts were not recorded on the daily receipt log and the method of payment was not always indicated on the receipt log.

- B. Receipts were not always transmitted intact on a timely basis, the change fund was not maintained at a set amount, and receipts were kept in a file room accessible to all employees.

Recommendation:

The County Commission require the Health Center to:

- A. Record all receipts, including method of payment, on the receipt log and reconcile the composition of receipts to the composition of transmittals to the County Treasurer. In addition, the number of certificates, permits, and inspections issued should be reconciled to applicable receipts.
- B. Maintain receipts in a secure location, transmit all monies intact to the County Treasurer on a timely basis, and maintain the change fund at a constant amount.

Status:

- A. Partially implemented. The number of certificates, permits, and inspections issued are reconciled to applicable receipts; however, donation receipts and the method of payment are not always indicated on the receipt log. See MAR finding number 13.
- B. Not implemented. See MAR finding number 13.

9. County Collector's Controls and Procedures

- A. Monthly reconciliations of the current and former County Collectors' bank account balance were not reconciled to the existing liabilities. In addition, the former County Collector did not distribute interest earned or attempt to collect on insufficient funds (NSF) checks in a timely manner.
- B. The method of payment received was not always indicated on tax receipts, and employees routinely cashed personal checks from tax receipts. Cash refunds were also made for overpayments of taxes and licenses.
- C. Receipts were not always deposited on a timely basis.
- D. Partial payments of property taxes were held in the vault until the taxes were paid in full, and there was no record showing the cumulative amount of monies on hand, nor the corresponding amounts still due.
- E. The County Collector made manual adjustments and adjusted distributions of commissions during July 1997 through August 1998 which resulted in overpayments of \$19,471 to the County Employees' Retirement Fund (CERF).

Recommendation:

The County Collector:

- A. Reconcile the amounts in the bank account to related liabilities and other reconciling items on a monthly basis. In addition, interest income should be distributed on a timely basis and follow-up on NSF checks should be performed on a timely basis.
- B. Indicate the method of payment on each tax statement issued and reconcile total cash, checks, and money orders received to bank deposits. In addition, the County Collector should discontinue the practice of cashing personal checks from tax receipts, and make refunds by check.
- C. Deposit all receipts daily or when accumulated receipts exceed \$100.
- D. Deposit partial payments into the bank and maintain records of total partial payments held in the bank.
- E. Withhold \$19,471 of future distributions from the County Employee's Retirement Fund (CERF) and distribute this amount to the General Revenue Fund.

Status:

A&D. Implemented.

- B. Partially implemented. The Collector no longer cashes personal checks; however, the method of payment is not always indicated on the property tax receipt. See MAR finding number 6.
- C. Not implemented. See MAR finding number 6.
- E. Implemented. The General Revenue Fund was reimbursed \$19,741 from the CERF in September 1999.

10. Recorder of Deeds' Controls and Procedures

- A. Receipts were not always deposited intact, and employees were allowed to cash personal checks from official receipts.
- B. The total of receipts received were not reconciled to the total of fees abstracted and disbursed, and listings of marriage license fees remaining in the bank account were not prepared.

- C. The Recorder of Deeds maintained custody of the Recorder User Fee Fund although state law requires the fund to be maintained by the County Treasurer. In addition, bids were not solicited for equipment and software purchased from this fund.

Recommendation:

The Recorder of Deeds:

- A. Deposit monies intact and discontinue the practice of allowing employees to cash personal checks from official receipts.
- B. Perform monthly reconciliations of total receipts and total fees abstracted, and prepare monthly listings of undistributed marriage license fees to ensure the cash balance agrees to the amount of undistributed fees. Any amounts remaining unidentified should be investigated to determine the proper disposition.
- C. Turn custody of the Recorder User Fee Fund to the County Treasurer and solicit bids for all purchases as required by state law.

Status:

- A. Implemented.

B&C. Not implemented. See MAR finding number 8.

11. Sheriff's Controls and Procedures

- A. One employee was responsible for recording and depositing receipts, preparing and signing checks, and maintaining the accounting records.
- B. Civil process fees collected were not recorded and deposited until the related process papers were served. In addition, if the papers could not be served, the checks received for these fees were returned to the payor.
- C. Receipts were not deposited on a timely basis, and checks were not restrictively endorsed when received.

Recommendation:

The Sheriff:

- A. Segregate the duties of receiving, recording, depositing, and reconciling. If segregation of duties cannot be achieved, at a minimum the accounting records should be periodically reviewed by a supervisor or someone independent of those duties.

- B. Issue receipt slips for civil process fees immediately upon receipt and deposit them in the bank account. Any refunds should be made by check.
- C. Restrictively endorse checks as received and deposit monies daily or when accumulated receipts exceeds \$100.

Status:

A&C. Not implemented. See MAR finding number 7.

B. Implemented.

12. Public Administrator's Controls and Procedures

- A. The value of some assets were not included in settlement balances.
- B. The Public Administrator did not always file annual settlements by the required due dates.

Recommendation:

The Public Administrator:

- A. File settlements which are accurate and include all assets of the respective estates.
- B. File annual settlements on a timely basis as required by state law.

Status:

A&B. Not implemented. See MAR finding number 9.

STATISTICAL SECTION

History, Organization, and
Statistical Information

LAWRENCE COUNTY, MISSOURI HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

Organized in 1845, the county of Lawrence was named after James Lawrence, a naval hero of the War of 1812. Lawrence County is a county-organized, third-class county and is part of the Thirty-Ninth Judicial Circuit. The county seat is Mount Vernon

Lawrence County's government is composed of a three-member county commission and separate elected officials performing various tasks. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining approximately 914 miles of county roads and 118 county bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens.

The county's population was 24,585 in 1980 and 35,304 in 2000. The following chart shows the county's change in assessed valuation since 1980:

	Year Ended December 31,					
	2002	2001	2000	1999	1985*	1980**
	(in millions)					
Real estate	\$ 187.9	182.9	176.3	169.5	91.1	35.3
Personal property	82.2	80.7	77.5	72.1	23.2	14.0
Railroad and utilities	31.5	31.5	32.6	32.0	16.3	15.6
Total	\$ 301.6	295.1	286.4	273.6	130.6	64.9

* First year of statewide reassessment.

** Prior to 1985, separate assessments were made for merchants' and manufacturers' property. These amounts are included in real estate.

Lawrence County's property tax rates per \$100 of assessed valuations were as follows:

	Year Ended December 31,			
	2002	2001	2000	1999
General Revenue Fund	\$.0900	.0900	.0900	.0900
Special Road and Bridge Fund*	.0700	.0700	.0700	.0700
Developmentally Disabled Fund	.0800	.0800	.0700	.0700
Senior Citizens Service Fund	.0500	.0500	.0500	.0500

* The county has thirteen special and two common road districts that receive four-fifths of the tax collections from property within these districts, and the County Special Road and Fund retains one-fifth. The two common road districts and most special road districts have additional tax levies which are distributed entirely to those districts.

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable by December 31. Taxes paid after December 31 are subject to penalties. The county bills and collects property taxes for itself and most other local governments. Taxes collected were distributed as follows:

	Year Ended February 28 (29),			
\$	2003	2002	2001	2000
State of Missouri	91,618	88,955	86,909	82,182
General Revenue Fund	288,151	270,513	265,927	252,823
Road funds	781,848	761,179	743,260	702,206
Assessment Fund	130,289	126,187	122,170	115,484
Developmentally Disabled Fund	242,423	233,926	202,419	191,442
Senior Citizens Service Fund	148,181	143,751	140,531	132,812
School districts	9,819,799	9,546,879	9,237,046	8,720,731
Library district	536,343	518,876	495,362	450,011
Ambulance districts	218,614	212,977	206,363	194,519
Fire protection district	20,865	14,374	14,187	12,643
Nursing home district	335,498	325,573	318,004	300,639
Junior College	5,001	4,887	4,945	4,424
Cities	178,812	159,451	161,569	149,749
Tax Increment Financing	31,257	31,249	31,180	31,131
County Employees' Retirement	28,490	27,751	26,346	24,547
Collector's Tax Maintenance Fund	13,535	0	0	0
Commissions and fees:				
General Revenue Fund	260,586	249,321	242,158	219,708
County Collector	2,049	1,693	1,815	1,625
Total	\$ 13,133,359	12,717,542	12,300,191	11,586,676

Percentages of current taxes collected were as follows:

	Year Ended February 28 (29),			
	2003	2002	2001	2000
Real estate	93	93	93	93 %
Personal property	90	89	89	88
Railroad and utilities	99	99	100	100

Lawrence County also has the following sales taxes; rates are per \$1 of retail sales:

	Rate	Expiration Date	Required Property Tax Reduction	
General	\$.0050	None	50	%
Capital improvements	.0050	2006	None	

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below.

Officeholder	2003	2002	2001	2000	1999
County-Paid Officials:					
Joe Ruscha, Presiding Commissioner	\$	30,380	30,380	30,380	30,380
J. Everett Ament, Associate Commissioner		28,380	28,380	22,000	22,000
Rodney Barnes, Associate Commissioner		28,380	28,380	22,000	22,000
Pam Robertson, Recorder of Deeds		43,000	43,000	43,000	43,000
Don Maupin, County Clerk (1)		39,237			
Bob Bartelsmeyer, County Clerk (1)		3,583	43,000	43,000	43,000
Robert E. George, Prosecuting Attorney		96,000	96,000	91,558	87,235
Doug Seneker, Sheriff		48,000	48,000	40,000	40,000
Sharon Kleine, County Treasurer		31,820	31,820	31,820	31,820
Don C. Lakin, County Coroner		15,000	15,000	8,000	8,000
Pam Fobair, Public Administrator		43,000	43,000		
Austin Barrett, Public Administrator (2)				42,820	39,896
Kelli McVey, County Collector (3), year ended February 28 (29),	45,049	44,693	44,814	44,625	
David Tunnell, County Assessor (4), year ended August 31,		43,900	43,900	43,900	43,900
Sam Goodman, County Surveyor (5)					

(1) Bob Bartelsmeyer resigned January 31, 2002 and Don Maupin was appointed February 4, 2002.

(2) Includes fees received from probate cases.

(3) Includes \$2,049, \$1,693, \$1,815 and \$1,625, respectively, of commissions earned for collecting city property taxes.

(4) Includes \$900 annual compensation received from the state.

(5) Compensation on a fee basis.

State-Paid Officials:

Cindy Faucett-Supiran, Circuit Clerk	47,300	47,300	46,127	44,292
Larry W. Meyer, Associate Circuit Judge	96,000	96,000	97,382	87,235
Scott S. Sifferman, Associate Circuit Judge	96,000	96,000	97,382	87,235

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